

**BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

**DOCKET NO. 2018-318-E**

In the Matter of:	)	<b>SUPPLEMENTAL DIRECT</b>
	)	<b>TESTIMONY OF</b>
Application of Duke Energy Progress, LLC	)	<b>LAURA BATEMAN</b>
For Adjustments in Electric Rate Schedules	)	<b>FOR</b>
and Tariffs	)	<b>DUKE ENERGY PROGRESS, LLC</b>

---

**I.     INTRODUCTION AND PURPOSE**

1     **Q.     PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT**  
2     **POSITION.**

3     A.     My name is Laura A. Bateman and my business address is 411 Fayetteville Street,  
4            Raleigh, North Carolina. I am a Director of Rates & Regulatory Planning,  
5            employed by Duke Energy Carolinas, LLC, testifying on behalf of Duke Energy  
6            Progress, LLC (“DE Progress” or the “Company”).

7     **Q.     ARE YOU THE SAME LAURA A. BATEMAN WHOSE DIRECT**  
8     **TESTIMONY AND EXHIBITS WERE FILED IN THIS DOCKET ON**  
9     **NOVEMBER 8, 2018?**

10    A.     Yes.

11    **Q.     WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**  
12    **TESTIMONY IN THIS PROCEEDING?**

13    A.     The purpose of my supplemental direct testimony is to present updates to certain  
14            accounting and pro forma adjustments and present additional adjustments to the  
15            Company’s cost of service as shown on Bateman Supplemental Exhibit 1. As I  
16            stated on page 12 of my direct testimony, several adjustments included in the  
17            Company’s original filing contained projections that the Company reserved the  
18            right to update with actuals prior to the hearing. In my supplemental direct  
19            testimony, I update those adjustments to reflect actuals. I also update or present  
20            adjustments based on circumstances and events that have occurred since the  
21            Company made its November 8, 2018 filing. Finally, I present updates to the

1 Company's proposed Excess Deferred Income Tax ("EDIT") rider as shown in  
2 Updated Bateman Exhibit 3.

**II. UPDATES TO THE COMPANY'S TEST YEAR  
OPERATING REVENUE, EXPENSES AND RATE BASE**

3  
4 **Q. PLEASE DESCRIBE BATEMAN SUPPLEMENTAL EXHIBIT 1.**

5 A. Bateman Supplemental Exhibit 1 presents the illustrative impact of additional  
6 adjustments to the Company's cost of service. While DE Progress is not  
7 requesting a change to its proposed revenue requirement as a result of these  
8 adjustments at this time, Bateman Supplemental Exhibit 1 illustrates the impact  
9 these adjustments (e.g., updating costs to reflect actuals) would have on the  
10 Company's cost of service.

11 **Q. WAS BATEMAN SUPPLEMENTAL EXHIBIT 1 PREPARED BY YOU OR**  
12 **AT YOUR DIRECTION AND UNDER YOUR SUPERVISION?**

13 A. Yes.

14 **Q. PLEASE EXPLAIN THE ADJUSTMENTS THAT ARE PRESENTED IN**  
15 **BATEMAN SUPPLEMENTAL EXHIBIT 1.**

16 A. **Line 8 - Annualize depreciation on year end plant balances**

17 This adjustment has been updated to remove the depreciation expense related to  
18 the Lilesville-Rockingham transmission line that was constructed and placed in  
19 service to satisfy Federal Energy Regulatory Commission ("FERC") market  
20 mitigation requirements related to the Duke-Progress merger. At this time, the  
21 only transmission market mitigation project for which the Company is seeking to  
22 recover costs is the Greenville-Kinston Dupont 230 kV line. Therefore, the

1 depreciation expense associated with the Lilesville-Rockingham transmission line  
2 has been removed.

3 **Line 11 - Adjust for post test year additions to plant in service**

4 This adjustment has been updated to reflect the actual additions to plant in service  
5 from October 1, 2018 through December 31, 2018. These additions were  
6 estimated in the Company's November 8, 2018 filing.

7 **Line 17 - Adjust for previously deferred amounts - Harris COLA,  
8 GridSouth, Fukushima/Cybersecurity, 2014 Storms**

9 The Fukushima/Cybersecurity deferred balance in this adjustment was updated to  
10 reflect the actual costs incurred from October 1, 2018 through December 31,  
11 2018. These costs were estimated in the Company's November 8, 2018 filing.

12 **Line 18 - Amortize deferred environmental costs**

13 This adjustment has been updated to reflect the actual costs and plant additions  
14 from October 1, 2018 through December 31, 2018. These costs were estimated in  
15 the Company's November 8, 2018 filing. This adjustment was also updated to  
16 remove costs for certain seeps repair work for which the Company is not seeking  
17 recovery.

18 **Line 19 - Amortize deferred cost balance related to SC AMI**

19 This adjustment has been updated to reflect the actual South Carolina Advanced  
20 Metering Infrastructure ("SC AMI") plant additions from October 1, 2018  
21 through December 31, 2018. These amounts were estimated in the Company's  
22 November 8, 2018 filing.

23 **Line 23 - Update benefits costs**

1 This adjustment has been updated to reflect the actual 2018 expenses for active  
2 medical benefits. These amounts were projected in the Company's November 8,  
3 2018 filing.

4 **Line 25 - Amortize rate case costs**

5 This adjustment has been updated to reflect the actual rate case costs from  
6 October 1, 2018 through December 31, 2018. These amounts were estimated in  
7 the Company's November 8, 2018 filing.

8 **Line 30 - Adjust for Customer Connect additional expense and deferral**

9 The Customer Connect deferred balance in this adjustment was updated to reflect  
10 the actual costs incurred from October 1, 2018 through December 31, 2018.  
11 These costs were estimated in the Company's November 8, 2018 filing.

12 **Line 31 - Adjust vegetation management expenses**

13 This adjustment was updated to reflect known increases in contract rates that were  
14 finalized in December 2018. The amount of these increases was not known at the  
15 time of the original filing.

16 **Line 32 - Synchronize interest expense with end of period rate base**

17 This adjustment has been updated to reflect a change to income taxes.  
18 Specifically, because of the updates to rate base described in this supplemental  
19 testimony, interest costs have been updated resulting in a flow through effect to  
20 income taxes.

21 **Line 33 - Adjust 1/8 O&M for accounting and pro-forma adjustments**

22 This adjustment has been updated to reflect the changes to cash working capital  
23 resulting from the other changes discussed in this supplemental testimony.

1           **Line 35 - Adjust deferred cost balance related to SC Grid**

2           This adjustment has been updated to reflect the actual SC grid improvement costs  
3           and plant additions from October 1, 2018 through December 31, 2018. These  
4           costs were estimated in the Company's November 8, 2018 filing.

5           **Line 36 – Remove certain expenses - NEW**

6           This adjustment was added to remove expenses that may either have been  
7           inadvertently booked above the line during the Test Period or inadvertently  
8           allocated to South Carolina. While it is possible these charges were reversed in  
9           subsequent journal entries, the Company has opted to remove the amounts from  
10          this case.

11          **Line 37 - Adjust for Allocation of PUC License Tax Expense - NEW**

12          This adjustment was added to correct an allocation of the South Carolina license  
13          fee imposed on South Carolina property and gross receipts under South Carolina  
14          Code §12-20-100 in the per books cost of service. In the original filing, these  
15          taxes were inadvertently allocated to all jurisdictions. This pro forma updates the  
16          allocation to direct assign the portions of the tax based on gross receipts and  
17          distribution property to South Carolina. The portions related to transmission,  
18          production, and general plant are still allocated to all jurisdictions..

19          **Line 38 - Adjust for ongoing payment obligation - NEW**

20          On November 14, 2018, DE Progress entered into a confidential settlement  
21          agreement to resolve litigation related to a contract for the sale of gypsum, a  
22          byproduct of coal plant production. The Company believes the settlement  
23          agreement will result in lower costs to customers as compared to alternative

1 outcomes. The agreement obligates the Company to make payments over a  
2 specified period of time. This adjustment increases operating expense to include  
3 recovery of these payments.

4 **Q. DOES BATEMAN SUPPLEMENTAL EXHIBIT 1 REFLECT ANY**  
5 **CHANGE IN THE REVENUE REQUIREMENT SOUGHT BY THE**  
6 **COMPANY IN THIS PROCEEDING?**

7 A. No, not at this time. DE Progress will file an updated Bateman Exhibit 1 at the  
8 time of hearing, which will incorporate the additional cost of service adjustments  
9 reflected in Bateman Supplemental Exhibit 1, as well as other possible  
10 adjustments to cost of service to the extent the actual changes are based on  
11 circumstances and events occurring up to the time the hearing is closed.

12 **Q. IN YOUR OPINION, DO THESE ACCOUNTING AND PRO FORMA**  
13 **ADJUSTMENTS REFLECT KNOWN AND MEASURABLE CHANGES**  
14 **TO THE COMPANY'S TEST YEAR OPERATING EXPENSES,**  
15 **REVENUES, AND RATE BASE?**

16 A. Yes.

**III. UPDATES TO THE COMPANY'S PROPOSED EDIT RIDER**

17 **Q. PLEASE EXPLAIN THE UPDATES TO THE COMPANY'S PROPOSED**  
18 **EDIT RIDER SHOWN IN UPDATED BATEMAN EXHIBIT 3?**

19 A. Several updates were made to this exhibit to include actual balances or more  
20 recently available information. The total impact of the updates was a decrease in  
21 the Year 1 decrement rider of \$122,000 (from -\$10,008,000 to -\$9,887,000), as  
22 shown on Page 2, Line 6. Below is the detail of the updates:

- 1       • The federal EDIT liability balances were updated as of December 31, 2018, as  
2       shown on Line 1a of Page 1. These updates reflect true-ups that were made  
3       during 2018 to the December 31, 2017 balances.
- 4       • The ARAM rate, the amortization rate required for the federal EDIT –  
5       protected balance, on line 7 of Page 1, was also updated based on a more  
6       recent calculation by the Company's Tax Department.
- 7       • The deferred revenues shown on Line 3 of Page 1 and calculated on Page 3  
8       were updated with actual deferred amounts for October 1, 2018 through  
9       December 31, 2018. These amounts were estimated in the Company's  
10      November 8, 2018 filing.
- 11      • The calculation of the NC EDIT on Page 4 was updated with the actual  
12      balance as of December 31, 2018 in line 7. This amount was estimated in the  
13      Company's November 8, 2018 filing.

#### IV. CONCLUSION

14   **Q.   DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL DIRECT**  
15   **TESTIMONY?**

16   A.   Yes.



**DUKE ENERGY PROGRESS, LLC**  
**Supplemental Change to Op Income and Rate Base**  
**FOR THE TEST PERIOD ENDED DECEMBER 31, 2017**  
**(Thousands of Dollars)**

**Bateman Supplemental Exhibit 1**

<u>Description</u>	<u>Ref. #</u> <u>Bateman Exh 1</u>	<b>Change from Original Filing</b>	
		<u>Supplemental</u> <u>Change in Op Income</u>	<u>Supplemental</u> <u>Change in Rate Base</u>
Annualize Retail revenues for current rates	SC-0100		
Update fuel costs to approved rate and other fuel related adjustments	SC-0200		
Adjust Other Revenue	SC-0300		
OPEN	SC-0400		
Eliminate unbilled revenues	SC-0500		
Adjust for costs recovered through non-fuel riders	SC-0600		
OPEN	SC-0700		
Annualize Depreciation on year end plant balances	SC-0800	18	24
Annualize property taxes on year end plant balances	SC-0900		
Adjust for new depreciation rates	SC-1000		
Adjust for post test year additions to plant in service	SC-1100	15	(6,867)
Remove NCEMPA Acquisition Adjustment	SC-1200		
Remove expiring amortization credits from test year	SC-1300		
OPEN	SC-1400		
Adjust reserve for end of life nuclear costs	SC-1500		
Adjust coal inventory	SC-1600		
Adjust for previously deferred amounts - Harris COLA, GridSouth, Fukushima/Cybersecurity, 2014 Storms	SC-1700	(1)	7
Amortize deferred environmental costs	SC-1800	588	(2,351)
Amortize deferred cost balance related to SC AMI	SC-1900	(51)	102
Normalize for storm costs	SC-2000		
Annualize O&M non-labor expenses	SC-2100		
Normalize O&M labor expenses	SC-2200		
Update benefits costs	SC-2300	320	-
Levelize nuclear refueling outage costs	SC-2400		
Amortize rate case costs	SC-2500	-	-
Adjust aviation expenses	SC-2600		
OPEN	SC-2700		
Adjust for credit card fees	SC-2800		
Adjust O&M for executive compensation	SC-2900		
Adjust for Customer Connect additional expense and deferral	SC-3000	9	(18)
Adjust vegetation management expenses	SC-3100	(232)	-
Synchronize interest expense with end of period rate base	SC-3200	(43)	-
Adjust 1/8 O&M for accounting and pro-forma adjustments	SC-3300	-	86
Adjust for Federal tax rate change	SC-3400		
Adjust deferred cost balance related to SC Grid	SC-3500	48	(48)
Remove certain expenses	SC-3600	19	-
Adjust for Allocation of PUC License Tax Expense	SC-3700	(652)	-
Adjust for ongoing payment obligation	SC-3800	(623)	-
Total Supplemental Changes		(585)	(9,065)

**DUKE ENERGY PROGRESS, LLC**  
**DOCKET 2018-318-E**  
**UPDATED BATEMAN EXHIBIT 3**  
**FOR THE TEST PERIOD ENDED December 31, 2017**  
**SOUTH CAROLINA RETAIL**  
**Excess Deferred Income Tax Rider Calculation**  
**(Dollars in thousands)**

Supplemental

		Federal EDIT - Protected <u>SC Retail</u>	Federal EDIT - Unprotected, PP&E related <u>SC Retail</u>	Federal EDIT - Unprotected, non PP&E related <u>SC Retail</u>	Deferred Revenue, DERP Solar Rebate <u>SC Retail</u>	NC EDIT <u>SC Retail</u>	Total <u>SC Retail</u>
		(A)	(B)	(C)	(D)	(E)	(F)
1 Regulatory liability including gross up as of 12/31/2017	[1]	\$ (164,980)	\$ (47,756)	\$ 5,043	\$ -	\$ (15,176)	(222,870)
1a Regulatory liability including gross up updated as of 12/31/2018	[1](a)	\$ (152,438)	\$ (58,254)	\$ 867		(5,382)	(215,207)
2 Estimated transition of Protected to Unprotected Regulatory liability during 2018	[1]	\$ 5,640		\$ (5,640)			-
3 Deferred Revenue for Federal Tax Rate Change as of 12/31/2018	[2]				\$ (14,960)		(14,960)
4 DERP Deferral Balance for Solar Rebate as of 9/30/2018	[1]				\$ 12,668		12,668
5 Other changes in Regulatory Tax liability	[3]					\$ 4,242	4,242
6 Regulatory liability for federal tax change including gross up for Year 1 rider calculation (Sum of L1a to L5)		\$ (146,798)	\$ (58,254)	\$ (4,773)	\$ (2,292)	\$ (1,140)	(213,257)
7 Annual Amortization percentage		3.70%	5.00%	20.00%	20.00%	100.00%	4.89%
8 Annual amortization amount (L6 x L7)		(5,432)	(2,913)	(955)	(458)	(1,140)	(10,897)
9 Years of rider amortization		27.03	20	5	5	1	

[1] Excess deferred tax liability (EDIT) as of 12/31/2017 by jurisdiction

NC EDIT liability in the 0254037 and 0253600 accounts as of 12/31/2017 forecast as of June 2019.

DERP Solar Rebates are deferred to the 0182494 account

[1](a) Federal EDIT balances updated based on actual balances as of 12/31/2018, and forecast 2018 transition between categories based on Tax analysis of this updated ADIT

[2] Bateman Exhibit 3, Page 3, Line 3. Deferred revenues in the 0229010 account as of 12/31/2018.

[3] Bateman Exhibit 3, Page 4, Line 11, Updated for regulatory liability as of 12/31/2018

**DUKE ENERGY PROGRESS, LLC**  
**DOCKET 2018-318-E**  
**UPDATED BATEMAN EXHIBIT 3**  
**FOR THE TEST PERIOD ENDED December 31, 2017**  
**SOUTH CAROLINA RETAIL**  
**Excess Deferred Income Tax Rider Calculation**  
**(Dollars in thousands)**

Supplemental

	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
<u>Cost of Capital per Bateman Exhibit 1</u>			
Debt	47.00%	4.06%	1.43%
Equity	53.00%	10.50%	5.57%
			7.00%
Statutory Tax Rate SC-0104 - 2017 Tax Rate, Line 10			24.95%
Retention factor for SC license tax, PSC Utility Assessment Fee			99.56%

**Annual Rider Calculation**

Amortization - From Page 1, L9

Year	Line	Beginning Balance, Page 1, L7	Federal EDIT - Protected	Federal EDIT - Unprotected, PP&E related	Federal EDIT - Unprotected, non PP&E related	Deferred Revenue, DERP Solar Rebate	NC EDIT	Total Amortization (G) =(B)+(C)+(D)+ [E]+[F]	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) / 2	EDIT Balance in Base Rates, Page 1, L1 (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	Rider Revenues (M) = (G) + (L)	Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee (N) = (M) / Retention Factor
Jun 19- May 20	1	(213,257)	(5,432)	(2,913)	(955)	(458)	(1,140)	(10,897)	(202,359)	(\$207,808)	(222,870)	\$15,062	\$1,054	(9,843)	(9,887)
Jun 20- May 21	2	(202,359)	(5,432)	(2,913)	(955)	(458)		(9,757)	(192,602)	(\$197,481)	(222,870)	\$25,389	\$1,777	(7,980)	(8,016) [1]
Jun 21- May 22	3	(192,602)	(5,432)	(2,913)	(955)	(458)		(9,757)	(182,845)	(\$187,724)	(222,870)	\$35,146	\$2,460	(7,297)	(7,329) [1]
Jun 22- May 23	4	(182,845)	(5,432)	(2,913)	(955)	(458)		(9,757)	(173,088)	(\$177,966)	(222,870)	\$44,903	\$3,143	(6,614)	(6,643) [1]
Jun 23- May 24	5	(173,088)	(5,432)	(2,913)	(955)	(458)		(9,757)	(163,330)	(\$168,209)	(222,870)	\$54,661	\$3,826	(5,931)	(5,957) [1]
<div><div><div>Rider Revenues incl. SC license Tax, PSC Utility</div><div>Supplemental</div><div>Initial Filing:</div><div>Incr. (decr.) with Update</div></div></div>															
6												Jun 19- May 20	(9,887)	(10,008)	122

[1] The rider amounts for years 2 through 5 are shown for illustrative purposes only. Actual rider amounts will be filed each year with updates discussed in my testimony by March 31 for Commission approval.

**DUKE ENERGY PROGRESS, LLC**  
**DOCKET 2018-318-E**  
**UPDATED BATEMAN EXHIBIT 3**  
**FOR THE TEST PERIOD ENDED December 31, 2017**  
**SOUTH CAROLINA RETAIL**  
**Excess Deferred Income Tax Rider Calculation**

(Dollars)

	<u>Projected Deferred Revenue for Federal Tax Rate Change in account 0229010</u>	<u>SC Retail</u>
1	Deferrals booked as of 12/31/2018	\$ (14,959,840)
2	Forecast deferrals	\$ -
3	Deferred Revenue for Federal Tax Rate Change as of 12/31/2018 (L1 + L2)	<u>\$ (14,959,840)</u>

**DUKE ENERGY PROGRESS, LLC**  
**DOCKET 2018-318-E**  
**UPDATED BATEMAN EXHIBIT 3**  
**FOR THE TEST PERIOD ENDED December 31, 2017**  
**SOUTH CAROLINA RETAIL**  
**Excess Deferred Income Tax Rider Calculation**

Supplemental

(Dollars in thousands)

NC rate change tax liability (NC EDIT)

		Total SC Retail	
1	Annual amortization approved in docket 2016-227-E	\$ (12,369)	[1]
2	Tax rate in docket 2016-227-E	38.25%	
3	Current tax rate	24.95%	
4	Annual amortization approved in Docket 2016-227-E adjusted for change in federal tax rate (L1 x (1- L2) / (1- L3))	(10,177)	
5	Additional months of amortization approved in Docket 2018-205-E (Jan 1, 2019 - May 31, 2019) assuming new rates effective June 1, 2019	5	
6	Amortization (Jan 1, 2019- May 31, 2019) (L4/12 x L5)	\$ (4,240)	
7	NC deferred tax liability as of 12/31/2018, includes amounts not included in last rate case	\$ (5,380)	[2]
8	Amortization from Jan 1, 2019- May 31, 2019 (L5)	\$ (4,240)	
9	NC deferred tax liability as of 6/1/2019 (L7 - L8)	\$ (1,140)	
10	Regulatory liability as of 12/31/2018	\$ (5,380)	
11	Change in regulatory tax liability (L9 - L10)	\$ 4,240	

[1] Settlement Agreement, Attachment A, Page 4, Line 27 in Docket 2016-227-E.

[2] Per Tax Department as of December 2018

**DUKE ENERGY PROGRESS, LLC**  
**DOCKET 2018-318-E**  
**UPDATED BATEMAN EXHIBIT 3**  
**FOR THE TEST PERIOD ENDED December 31, 2017**  
**SOUTH CAROLINA RETAIL**  
**Excess Deferred Income Tax Rider Calculation**  
**(Dollars in thousands)**

		Federal EDIT - Protected SC Retail	Federal EDIT - Unprotected, PP&E related SC Retail	Federal EDIT - Unprotected, non PP&E related SC Retail	Deferred Revenue, DERP Solar Rebate SC Retail	NC EDIT SC Retail	Total SC Retail
		(A)	(B)	(C)	(D)	(E)	(F)
1 Regulatory liability including gross up as of 12/31/2017	[1]	\$ (164,980)	\$ (47,756)	\$ 5,043	\$ -	\$ (15,176)	(222,870)
1a Regulatory liability including gross up updated as of 12/31/2018	[1](a)	\$ (152,438)	\$ (58,254)	\$ 867		(5,382)	(215,207)
2 Estimated transition of Protected to Unprotected Regulatory liability during 2018	[1]	\$ 5,640		\$ (5,640)			-
3 Deferred Revenue for Federal Tax Rate Change as of 12/31/2018	[2]				\$ (14,960)		(14,960)
4 DERP Deferral Balance for Solar Rebate as of 9/30/2018	[1]				\$ 12,668		12,668
5 Other changes in Regulatory Tax liability	[3]					\$ 4,242	4,242
6 Regulatory liability for federal tax change including gross up for Year 1 rider calculation (Sum of L1a to L5)		\$ (146,798)	\$ (58,254)	\$ (4,773)	\$ (2,292)	\$ (1,140)	(213,257)
7 Annual Amortization percentage		3.70%	5.00%	20.00%	20.00%	100.00%	4.89%
8 Annual amortization amount (L6 x L7)		(5,432)	(2,913)	(955)	(458)	(1,140)	(10,897)
9 Years of rider amortization		27.03	20	5	5	1	

[1] Excess deferred tax liability (EDIT) as of 12/31/2017 by jurisdiction

NC EDIT liability in the 0254037 and 0253600 accounts as of 12/31/2017 forecast as of June 2019.

DERP Solar Rebates are deferred to the 0182494 account

[1](a) Federal EDIT balances updated based on actual balances as of 12/31/2018, and forecast 2018 transition between categories based on Tax analysis of this updated ADIT

[2] Bateman Exhibit 3, Page 3, Line 3. Deferred revenues in the 0229010 account as of 12/31/2018.

[3] Bateman Exhibit 3, Page 4, Line 11, Updated for regulatory liability as of 12/31/2018

DUKE ENERGY PROGRESS, LLC  
DOCKET 2018-318-E  
UPDATED BATEMAN EXHIBIT 3  
FOR THE TEST PERIOD ENDED December 31, 2017  
SOUTH CAROLINA RETAIL  
Excess Deferred Income Tax Rider Calculation  
(Dollars in thousands)

	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
Cost of Capital per Bateman Exhibit 1			
Debt	47.00%	4.06%	1.43%
Equity	53.00%	10.50%	5.57%
			7.00%
Statutory Tax Rate SC-0104 - 2017 Tax Rate, Line 10			24.95%
Retention factor for SC license tax, PSC Utility Assessment Fee			99.56%

Annual Rider Calculation

Amortization - From Page 1, L9															Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee (N) = (M) / Retention Factor
Year	Line	Beginning Balance, Page 1, L7 (A)	Federal EDIT - Protected (B)	Federal EDIT - Unprotected, PP&E related (C)	Federal EDIT - Unprotected, non PP&E related (D)	Deferred Revenue, DERP Solar Rebate (E)	NC EDIT (F)	Total Amortization (G) =(B)+(C)+(D)+ [E]+[F]	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) /2	EDIT Balance in Base Rates, Page 1, L1 (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	Rider Revenues (M) = (G) + (L)	
Jun 19- May 20	1	(213,257)	(5,432)	(2,913)	(955)	(458)	(1,140)	(10,897)	(202,359)	(\$207,808)	(222,870)	\$15,062	\$1,054	(9,843)	(9,887)
Jun 20- May 21	2	(202,359)	(5,432)	(2,913)	(955)	(458)		(9,757)	(192,602)	(\$197,481)	(222,870)	\$25,389	\$1,777	(7,980)	(8,016) [1]
Jun 21- May 22	3	(192,602)	(5,432)	(2,913)	(955)	(458)		(9,757)	(182,845)	(\$187,724)	(222,870)	\$35,146	\$2,460	(7,297)	(7,329) [1]
Jun 22- May 23	4	(182,845)	(5,432)	(2,913)	(955)	(458)		(9,757)	(173,088)	(\$177,966)	(222,870)	\$44,903	\$3,143	(6,614)	(6,643) [1]
Jun 23- May 24	5	(173,088)	(5,432)	(2,913)	(955)	(458)		(9,757)	(163,330)	(\$168,209)	(222,870)	\$54,661	\$3,826	(5,931)	(5,957) [1]
												Rider Revenues incl. SC license Tax, PSC Utility	Supplemental	Initial Filing:	Incr. (decr.) with Update
6												Jun 19- May 20	(9,887)	(10,008)	122

[1] The rider amounts for years 2 through 5 are shown for illustrative purposes only. Actual rider amounts will be filed each year with updates discussed in my testimony by March 31 for Commission approval.

**DUKE ENERGY PROGRESS, LLC  
DOCKET 2018-318-E  
UPDATED BATEMAN EXHIBIT 3  
FOR THE TEST PERIOD ENDED December 31, 2017  
SOUTH CAROLINA RETAIL  
Excess Deferred Income Tax Rider Calculation**

(Dollars)

	<u>Projected Deferred Revenue for Federal Tax Rate Change in account 0229010</u>	<u>SC Retail</u>
1	Deferrals booked as of 12/31/2018	\$ (14,959,840)
2	Forecast deferrals	\$ -
3	Deferred Revenue for Federal Tax Rate Change as of 12/31/2018 (L1 + L2)	\$ (14,959,840)



**DUKE ENERGY PROGRESS, LLC**  
**DOCKET 2018-318-E**  
**UPDATED BATEMAN EXHIBIT 3**  
**FOR THE TEST PERIOD ENDED December 31, 2017**  
**SOUTH CAROLINA RETAIL**  
**Excess Deferred Income Tax Rider Calculation**

Supplemental

Page 4 of 4

(Dollars in thousands)

**NC rate change tax liability (NC EDIT)**

		Total SC Retail	
1	Annual amortization approved in docket 2016-227-E	\$ (12,369)	[1]
2	Tax rate in docket 2016-227-E	38.25%	
3	Current tax rate	24.95%	
4	Annual amortization approved in Docket 2016-227-E adjusted for change in federal tax rate (L1 x (1- L2) / (1- L3))	(10,177)	
5	Additional months of amortization approved in Docket 2018-205-E (Jan 1, 2019 - May 31, 2019) assuming new rates effective June 1, 2019	5	
6	Amortization (Jan 1, 2019- May 31, 2019) (L4/12 x L5)	\$ (4,240)	
7	NC deferred tax liability as of 12/31/2018, includes amounts not included in last rate case	\$ (5,380)	[2]
8	Amortization from Jan 1, 2019- May 31, 2019 (L5)	\$ (4,240)	
9	NC deferred tax liability as of 6/1/2019 (L7 - L8)	\$ (1,140)	
10	Regulatory liability as of 12/31/2018	\$ (5,380)	
11	Change in regulatory tax liability (L9 - L10)	\$ 4,240	

[1] Settlement Agreement, Attachment A, Page 4, Line 27 in Docket 2016-227-E.

[2] Per Tax Department as of December 2018

**BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
DOCKET NO. 2018-318-E**

IN RE: Application of Duke Energy Progress, )  
 LLC for Adjustments in Electric Rate ) CERTIFICATE OF SERVICE  
 Schedules and Tariffs and Request for an )  
Accounting Order )

This is to certify that I, Toni Hawkins, a paralegal with the law firm of Robinson Gray Stepp & Laffitte, LLC have this day served copies of **Duke Energy Progress LLC's Supplemental Direct Testimony of Laura Bateman including Bateman Supplemental Exhibit 1 and Updated Bateman Exhibit 3** in the foregoing matter via electronic mail as follows:

**Alexander W. Knowles**  
 Email: aknowles@regstaff.sc.gov  
**Andrew M. Bateman**  
 Email: abateman@regstaff.sc.gov  
**Becky Dover**  
 Email: bdover@scconsumer.gov  
**Bess J DuRant**  
 Email: bdurant@sowellldurant.com  
**Carri Grube - Lybarker**  
 Email: clybarker@scconsumer.gov  
**Carrie M. Harris**  
 Email: charris@spilmanlaw.com  
**Derrick Price Williamson**  
 Email: dwilliamson@spilmanlaw.com  
**Garrett A. Stone**  
 Email: gas@smxblaw.com  
**Michael K. Lavanga**  
 Email: mkl@smxblaw.com  
**Richard L. Whitt\***  
 Email: RLwhitt@austinrogerspa.com  
**Robert R. Smith, II**  
 Email: robsmith@mvalaw.com  
**Stephanie U. (Roberts) Eaton**  
 Email: sroberts@spilmanlaw.com  
**Steven W. Hamm**  
 Email: shamm@regstaff.sc.gov  
**Thadeus B Culley\***  
 Email: thad@votesolar.org

Dated at Columbia, South Carolina this 22<sup>nd</sup> day of January, 2019.

  
 \_\_\_\_\_